

**MONTANA DEPARTMENT OF COMMERCE  
HOME INVESTMENT PARTNERSHIPS PROGRAM  
PROGRAM YEAR 2009**

**2009 Competitive Applications**

- The application due date for the 2009 HOME Program competitive grants is **Friday, February 13, 2009**.
- The HOME Program did not receive a sufficient number of applications to fully award its 2008 competitive funds. Normally, when the program does not award all its funds for a given program year, a second round of competition is held and the competition is opened up to entitlement cities (Billings, Great Falls, and Missoula) and the other qualified applicants operating within those cities' boundaries. However, a second round of competition is not being held for the unallocated 2008 competitive funds; instead, those funds are being rolled into the 2009 grant competition. Therefore, the 2009 competition will be open to the entitlement cities and the MDOC-certified community housing development organizations (CHDOs) and public housing authorities (PHAs) operating within those cities this one time only.

**Proposed Changes Single Family Allocation Pilot Program**

The Montana Department of Commerce (MDOC) is proposing several changes to the Single Family Allocation Pilot Program (SFAPP), which will be known as the Single Family Noncompetitive Program going forward.

**Background:** The MDOC implemented the Single Family Allocation Pilot Program in program year 2006 at the urging of a number of grantees around the state. Beginning in June 2006, the HOME program dedicated approximately one-half of its annual HUD allocation for homebuyer assistance (HBA) and homeowner rehabilitation (HR) activities. Cities, counties, public housing authorities, and community housing development organizations submit a qualification package, which is reviewed by HOME staff; there is no deadline, no application, and no scoring for programs providing homebuyer assistance or homeowner rehabilitation. The entitlement cities of Billings, Great Falls and Missoula, and CHDOs and PHAs operating within the city limits are not eligible to access the SFAPP since those cities receive their own HUD allocations.

The HOME Program allocates the funds to 11 districts of counties by using a formula based on county population and age of housing. The funds are reserved for the use in each District for a limited time. The 2006 funds were reserved for each district for 18 months, until December 1, 2007, to allow time for program startup. The 2007 funds were reserved for 12 months starting on June 1, 2007; the 2008 funds were also reserved for a 12-month period starting on June 1, 2008. Once an entity is qualified, it

can access the funds reserved for the District in which it operates. After the end of the current 12-month reservation period, unobligated funds are made available to any qualified entity on a statewide basis until obligated.

The SFAPP was set up as a three-year pilot project, with the MDOC evaluating the effectiveness of the project at the end of the first two years. Options the MDOC considered during the evaluation process included:

- continuing the program as it was originally set up;
- eliminating the program; or
- continuing the program with modifications.

Based on comments received during and after the Consolidated Plan Public Input Meetings held in May and June 2008, the MDOC believes the program serves a valuable function for Montana's lower-income households and proposes that the program be continued with some modifications.

- **Proposal:** Reduce the annual allocation to the SFAPP from one-half of the annual allocation received from HUD to one-third of the annual allocation.

**Discussion:** During the first year of the Pilot Program, 2006, only 35% of the funds were committed after one-year. While this was somewhat expected given that the program was new and entities needed time to gear up, only 76% of the funds were committed at the end of the 18-month initial startup period. It took nearly two full years before all the funds were committed.

Due in part to the very slow start of the initial year, during the second year of the SFAPP, 2007, less than 20% of the funds (approximately \$356,000 of \$2 million) were committed one year after becoming available. Only 55% of the funds were committed within 16 months of becoming available. As of October 2008 (four months into the 2008 pilot program year), none of the program year 2008 funds were committed.

The actual expenditure of the funds has been somewhat slower; entities have 120 days to expend funds committed for homebuyer activities and 180 days to expend funds committed for homeowner rehabilitation activities.

Finally, the HOME program has received requests from some entities to reduce the amount of funds going into the SFAPP, making more funds available for competitive grant applications.

Therefore, the HOME Program is proposing to limit the allocation of its funds to the HOME Single Family Noncompetitive Program (SFNP) to 1/3 of its annual allocation after the set asides for MDOC operations and for CHDOs. Below is an example of how funds would be distributed if 1/3 of the available annual allocation was reserved for the SFNP.

Example:

<b>ESTIMATED Annual Allocation .....</b>	<b>\$ 4,232,873</b>
Less:	
10% for MDOC operations.....	\$ 423,287
15% (minimum) for CHDO set aside (competitive) .....	\$ 634,931
<b>Balance: .....</b>	<b>\$ 3,174,655</b>
2/3 to Competitive Grants .....	\$ 2,116,437
1/3 to <b>Single Family Allocation Program</b> .....	<b>\$ 1,058,218</b>

- **Proposal:** Limit the length of time funds are available in the statewide pool from indefinitely to six (6) months. At the end of the six-month period, any unobligated funds would be reallocated to the next **competitive grant application pool**.

**Discussion:** Currently, funds are reserved for individual districts and the entities qualified to access the funds within those districts for 12 months from the date the allocation becomes available, usually around June 1 of each year. Any remaining unobligated funds at the end of the 12-month reservation period are rolled to the statewide district (District I) and any qualified entity can obligate the funds on a first-come, first-serve basis. Currently, the statewide funds are available until obligated and expended; there is no time limit. This has led to an increase in the amount of time it takes the state to obligate and expend its annual allocation.

The HOME Program is proposing to limit the amount of time funds are available in the statewide pool to six months. Below is a sample timeline for the proposed change:

Funds available for allocation and reserved to individual districts ..	Jun. 1, 2009
Unobligated funds available statewide .....	Jun. 1, 2010
<i>(12 months after the funds first become available)</i>	
Remaining unobligated funds released to competitive grant pool ..	Dec. 1, 2010
<i>(6 months after the funds become available statewide in District 1)</i>	
Competitive grant applications due .....	Feb. 11, 2011

- **Proposal:** Reduce the number of districts to four (from the current 11), plus the statewide District 1; and
- **Proposal:** Amend the allocation formula to include a factor for the commitment of the two prior years' funds (2006 and 2007).

**Discussion:** Maintaining and tracking data and funding for eleven districts is a more complicated and administratively burdensome process than it needs to be. Further, with few exceptions, the Districts have not exhausted the reserved funds

before uncommitted funds are made available to the statewide district (see previous discussion under Proposal 1).

Currently, the formula for allocating funds to each District is based on two factors: county population and age of housing. Adding a third factor for commitment of funds will distribute more funds to Districts that have been actively committing funds for HBA and HR activities.

The HOME Program is proposing to reduce the number of districts from eleven to four, as outlined below, and add a factor to the allocation formula for the previous two years' commitment of funds. See attached worksheet for a sample breakdown of the District allocations for 2009.

1. **District 1:** Statewide
2. **District 2:** Blaine, Carter, Custer, Daniels, Dawson, Fallon, Garfield, Hill, Liberty, McCone, Phillips, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Treasure, Valley, and Wibaux Counties
3. **District 3:** Big Horn, Carbon, Cascade (excluding City of Great Falls), Chouteau, Fergus, Glacier, Golden Valley, Judith Basin, Musselshell, Petroleum, Pondera, Stillwater, Sweet Grass, Teton, Toole, Wheatland, Yellowstone (excluding City of Billings) Counties
4. **District 4:** Broadwater, Jefferson, Lewis and Clark, Gallatin, Meagher, Park, Flathead, Lake, Lincoln, Sanders Counties
5. **District 5:** Mineral, Missoula(excluding City of Missoula), Ravalli, Beaverhead, Deer Lodge, Granite, Madison, Powell, Silver Bow Counties

- **Proposal:** Require a period of affordability for owner-occupied rehabilitation projects based upon the amount of home funds invested in the rehabbed unit.

**Discussion:** Currently, a period of affordability is not required on owner-occupied rehabilitation projects, although the HOME program does encourage the use of affordability restrictions.

Since the intent of the program is to create affordable housing units, the HOME is proposing to require Grantees to implement a period of affordability, which mirrors that for homebuyer assistance projects, for owner-occupied rehabilitation projects. Such a requirement serves to protect the Grantee's HOME investment and discourage "fix and sell" opportunists. The period of affordability would be as follows:

Activity	Years of Affordability		
	5	10	15
Rehabilitation of Owner-occupied Housing, with HOME funds invested per unit as follows:			
Under \$15,000	X		
\$15,000 to \$40,000		X	
Over \$40,000			X

- **Proposal:** Allow qualified entities to provide homebuyer assistance and homeowner rehabilitation with Single Family Allocation program funds within the city limits of Billings, Great Falls and Missoula.

**Discussion:** Currently, the entitlement cities of Billings, Great Falls and Missoula, and CHDOs and PHAs operating within the city limits, are not eligible to access the SFAPP. The HOME program has received requests to allow entities operating within the entitlement cities to access the funds.

The HOME Program is not proposing the adoption of this request at this time. The state of Montana's allocation of HOME funds is limited and has not been keeping up with inflation. The cities of Billings, Great Falls and Missoula receive their own allocation of HOME funds from HUD, and the HOME Program is willing to share information and documents with any city that wants to replicate the program within its jurisdiction.

### Proposed Changes Competitive Program

- **Proposal:** The HOME Program has received requests to eliminate to the spend-down requirements for open competitive grants. Under the guidelines for the February 2009 applications, grantees with open FFY 2008 grant would need to have 75% of the project funds drawn down by the current year's application due date; and all projects over two years old (FFY 2007 and earlier grants) would need to be completed and conditionally closed out before applying for additional funds.

**Discussion:** HUD regulations require the state to distribute its funds geographically. Spend down requirements limits the applicant pool, allowing other eligible applicants from other areas to apply. Historically, this has facilitated distributing the funds geographically.

Rather than completely eliminating spend down requirements, the HOME program is proposing to relax the requirements by reducing the spend-down requirements for open grants from 75% to 50% for one-year-old grants, 75% for two-year-old grants, and 100% for grants three years and older. At the end of the 2010 application cycle, the HOME Program will evaluate what, if any, impact

reducing the spend down requirement has had on the geographic dispersion of competitive funds.

- **Proposal:** Allow CHDOs to submit more than one application per application round.

**Discussion:** The HOME Program has received requests to allow CHDOs to submit more than one application per application round. Again, limiting a CHDO to one grant application facilitates geographic distribution of HOME funds. (See discussion above regarding geographic distribution.)

The HOME Program is proposing to allow a CHDO to submit multiple applications **as long as each application is from a different county within its service area and each application is for a CHDO-eligible activity**. This will help the program to maintain and possibly improve the geographic distribution of funds and help prevent concentration of activities in one specific area. At the end of the 2010 application cycle, the HOME Program will evaluate what effect, if any, allowing CHDOs to submit more than one application per application cycle has had on the geographic dispersion of competitive funds. In addition, the program will evaluate the impact on the program's ability to meet its CHDO set aside requirement, which it has had difficulty meeting in recent years. (Note: by HUD regulation, 15% of the program's annual allocation must go to CHDOs conducting CHDO-eligible activities.)

- **Proposal:** Change the application process to be more in line with the other two major housing funding program within the MDOC—the CDBG and Low Income Housing Tax Credit (LIHTC) programs.

**Discussion:** The HOME Program has received requests to change the application process. According to those comments:

- housing applications can be similar, often for the same project;
- the questions being answered are phrased a little differently but are similar;
- it would be nice if the face sheet of the UniApp could say: 'also applying for CDBG, Tax Credits and HOME' and turn it into one truly consolidated application, because the three applications are arduous.

While the programs recognize that the application process is not easy and there appears to be duplication of effort, the programs have differing Federal requirements each must meet. The LIHTC program follows IRS requirements; the CDBG and HOME program are governed by HUD requirements; however, the HUD regulations governing each program are different.

There are areas currently in the Uniform Application (UniApp) where applicants can indicate the other funding sources for which they are applying. The three programs do, and will continue to, coordinate internally on joint applications and

work to coordinate funding announcement dates and streamline the application process where appropriate.

- **Proposal:** The HOME Program has received a request to allow interest rate buy-down as an eligible activity.

**Discussion:** According to a commenter, there are proposed changes in Rural Development Housing Services low-interest loan programs and there may be a need for interest rate buy-down as a use of HOME and CDBG programs. These should only be considered if the grantee has demonstrated a way to recapture the subsidy provided by the interest rate buy-down. Homes in the most expensive areas of Montana can be purchased today only with Rural Development low interest loans, so without these loans another source of interest rate buy down is needed.

For the HOME Program to implement this new program, it would take considerable staff time to investigate and develop the guidance/rules to make it work. The program is not in a position to implement a new program at this point in time. In addition, how the current economic upheaval may affect the home buying market is unknown. However, the HOME Program will investigate allowing interest rate buy-down as an eligible activity in the future.

- **Proposal:** The HOME Program has received a request to mandate homebuyer education that meets the National Standards for any home purchased with HOME or CDBG funding.

**Discussion:** According to the proposer: “The National Standards are well accepted in the industry as minimum standards for homebuyer education.

HUD recommends/encourages homebuyer ed, but does not require it. However, the HOME Program currently requires, and will continue to require, homebuyer education as a prerequisite for any homebuyer receiving HOME down payment and closing cost assistance.

The HOME Program believes its grantees are doing a good job meeting the homebuyer ed requirements and does not want to be unnecessarily prescriptive.

- **Proposal:** The HOME Program received a request to adopt enhanced accessibility requirements, rather than just minimal standards and to encourage adoption of visitability as a minimal standard in all funded housing.

**Discussion:** All HOME grantees must meet federally established standards for accessibility. The HOME Program encourages, and will continue to encourage, grantees to adopt enhanced accessibility requirements, rather than just minimal

standards, and to adopt visitability as a minimal standard in all HOME-funded housing.



